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MUNICIPAL OWNERSHIP IN GREAT BRITAIN

The subject of municipal ownership has of late assumed a new importance in this country. In view of recent events, no one interested in either the safety of private capital or the efficiency of municipal administration can close his eyes to the fact that a great socialistic agitation is upon us, which may result in far-reaching economic changes. A spirit of unrest and largely a spirit of destructiveness is abroad in the land. The money power and the bosses' power are alike objects of popular aversion and attack. Capital looks aghast at the possibilities of destruction which lie in its path, while the professional manipulator of votes and of parties trembles lest his occupation be gone. Socialistic doctrines are finding new adherents and the professional agitator is winning new recruits. Witness, in this connection, the growth of the combined Socialistic and Socialistic-Labor votes in the three last presidential elections: in 1896 it was 36,274—a negligible quantity; in 1900 it was 127,553—an increase of over 250 per cent. in four years; in 1904 it was 426,376—an increase of 234 per cent. in four years, and of over 1,000 per cent. in eight years—an average increase of more than 133 per cent. a year.

To these forces, professedly and violently socialistic, have now been added vast numbers of other persons, many well-intentioned, who, without consciously adopting the doctrines of socialism, are giving public affairs a decided impetus in that direction.

Never has a wiser and saner treatment of those public questions which most nearly touch the individual—namely, those arising in and which concern the municipality in which he lives and labors—been demanded than here and now. We must meet them with firmness, but, at the same time, with an anxious desire to make all reasonable concessions. While holding fast to our own, and insisting on the inviolability of private property and the absolute necessity of individual initiative, we must treat those who are temporarily dazzled and misled by the glittering generalities of socialistic and quasi-socialistic doctrines with patience and respect. We must, in our own interest, as well as that of the body politic, try to enlighten and educate the honest and intelligent portions of our citizens in sound economic doctrines, and show them the error of their ways in adopting illusory and dangerous panaceas.

In practically all discussions of the subject of municipal ownership in this country, the experience of Great Britain in that particular is referred to, and it is confidently asserted that results have been so satisfactory there as to make the adoption of the system which has produced them desirable in America. Many conflicting statements as to the conditions existing and the results obtained in that country have been made, but seldom with authority. To endeavor to clear up this situation by original investigations on the spot, I went to England last summer, and gathered the information which is outlined in this paper. Much of the material collected cannot be used in the limits of this article, but I think I have set out enough of it to justify the conclusions which I have reached.

In this article I shall confine myself to the following subjects of inquiry:

Has municipal ownership and operation of public utilities been successful in Great Britain? If so, to what extent? If not, in what respects has it failed?

I shall consider the causes which have led up to, and are responsible for, existing conditions, whatever they are, and inquire whether it would be desirable, if practicable, to reproduce the same conditions in the United States.

Finally, I shall point out that, so far as the present status in Great Britain is desirable, it is owing to conditions which do not exist and cannot be duplicated in America.

I. HAS MUNICIPAL OWNERSHIP AND OPERATION OF PUBLIC SERVICE UTILITIES IN GREAT BRITAIN BEEN SUCCESSFUL?

In considering this question, I shall confine the discussion principally to those public-service enterprises engaged in the production and distribution of artificial light and power and the furnishing of electric traction and telephone service to the public. It may be well, however, to summarize at the outset the various directions in which municipal activities of this character have been exercised in Great Britain. These are called "reproductive undertakings," as distinguished from the more limited exercises of municipal governmental functions, such as the building and care of roads, bridges, common sewers, and other strictly necessary municipal works. They all involve, to a greater or less extent, the receipt of some income from, or return upon, the investment—in other words, "trading" features.

Extent of practice.—The list includes water-works, gas-works, electric-lighting plants, tramways, markets, baths, dwelling-houses, harbors, piers, quays, toll bridges, canals, and ferries. In addition to the foregoing, which are the principal municipal quasi-business enterprises, there are also instances of municipal telephones, theaters, warehouses, ship canals, cold stores, hotels, lodging-houses, abattoirs, savings banks, golf courses, crematories, and cemeteries. Even this enumeration does not exhaust the entire list, as there are instances of municipal race-courses, Turkish baths, "automatic buffets," oyster fisheries, rabbit warrens, sheep farms, hop-growing, coke and tar manufactures (in connection with gas supplies), paving-stones and brick-making (in connection with refuse destruction), the sale of sterilized milk, ice, etc. Mr. John Burns, M. P., in 1899 put the number of the principal municipalized industries in Great Britain as follows: water-works, 800; gas-works, 250; electric works, 100; tramways, 50; docks, 12; etc. In 1903 the

estimated number of such municipal enterprises had increased to the following totals: water-works, 1,045; gas-works, 256; electric works, 334; tramways, 142; with a total estimated capital expenditure of nearly eight hundred million dollars. One can readily believe a recent statement of one of the leading champions of municipalization in England, that "there is no finality to municipal enterprise. We cannot limit our horizon." Indeed, the formulated demands of the most advanced municipalists include, among other things, the public manufacture and sale of bread, tobacco, and intoxicating liquors, as well as the supply of coal, milk, and other necessities of life. Glasgow maintains a municipal inebriate asylum. Why not go one step farther, and provide, as is done in some continental cities, for one's last inexorable necessity—an undertaker?

It is hardly necessary to say that, as to a large number of these enterprises, few, if any, of our citizens would, from their present points of view, suggest or tolerate their exploitation by American municipalities. They are so far removed from the ordinary functions of municipal government, as it has always been understood and agreed to in the United States, that their addition to present municipal functions would not be sanctioned. Moreover, the enormous addition to the already over-sufficient and ever-enlarging lists of city officers and employees would be in the last degree undesirable.

But the existence of these various and varied forms of municipal activity in Great Britain shows the extent to which the adoption of the theory and practice of the municipalization of public-services supplies, other than those which are clearly within the limitations of ordinary municipal governmental functions, may readily go.

Division of public sentiment.—Upon the question of the success or failure of the municipal ownership and operation of the various forms of public-service enterprises which have grown up in Great Britain, there is, even there, by no means unanimity of public sentiment. The vast increase in the employment of public servants and in the amount of municipal expenditures,

accompanied by a corresponding increase in valuations of and rates levied upon private property, together with the undoubtedly unfavorable results obtained in some respects (which will be hereafter noted), have led to a good deal of popular alarm over the situation and a strenuous opposition to further extensions of the functions of municipalities and a demand for their restriction.

This was well evidenced by a public meeting held in London on July 20, 1905. This was a conference of some seven hundred representatives of the commercial and municipal interests of the metropolis, to which none but ratepayers were admitted. The meeting was called to consider what was termed "the burning question of London municipal expenditure." The chairman of the meeting was the Duke of Norfolk. Supporting him, were Lord Claude Hamilton, at least fourteen members of Parliament, the mayors of at least two, and, altogether, officials of not less than twenty-four out of the twenty-eight boroughs or cities making up greater London, several members of the London County Council itself, prominent officials of at least seven of the large railroads leading out of London, representatives of the London Chamber of Commerce and of various dock companies, life-insurance associations, and commercial houses—including, among other eminent persons, Sir Alfred Lyell and Sir Hiram Maxim.

The Duke of Norfolk said that men of every party recognized the imminence of the danger; that the enormous cost of the London government did not promote the really progressive interests of the metropolis, but clogged the footsteps of true progress; that the cost of carrying on the London government had increased from £12,000,000 in 1892 to £24,000,000 ten years later; and that the lower middle class and those engaged in daily toil were especially anxious that something should be done, for if the great industries were frightened away from the metropolis, the ultimate recoil would be on the working classes.

Lord Claude Hamilton, chairman of the Great Eastern Railway, said that the industrial prosperity of London was threatened, and that if the present rate of expenditure was continued,

the credit of the nation itself would be shaken—a conclusion which seems to be justified by the fact that already interest rates on English public investments are advancing, while in the United States they are falling. He further said that “municipal interference with private enterprise in the long run must end in financial disaster to the community.”

The statement which appears to have been most favorably received and to have called out the loudest cheers, and which is the point of the greatest interest to American students of the subject, was that of Lord Hamilton, that all were agreed that *no municipality should undertake any project with the rate-payers' money which could be done as well or better by private enterprise*. He said that business men—the men who were needed—could not spare the time to attend to the vast amount of unnecessary work which had been imposed on municipal councils, and he also referred to the danger of “the overwhelming power of the municipal employees' vote.”

The *London Times*, in an editorial upon the meeting of July 20, said that it was “fairly representative of all the industries of London.” Referring to what it called “a course of extravagance fraught with danger,” the *Times* said:

At no distant date we are likely to find ourselves face to face with requirements more important than many of the objects upon which ratepayers' money is now spent, and of a kind not to be undertaken by private persons.

This feature of the situation might well make American towns and cities pause. That their finances are no more than ample to meet the requirements of ordinary and indisputably proper municipal expenditures is apparent from the closeness with which most of them have approached their debt limit and the multiplicity of the cases in which they have obtained permission for expenditures outside of that limit.

The *Times* editorial suggests another feature, not often thought of, analogous but additional to the fact of the creation of a large and ever-growing class of office-holding voters, in the following language:

There is growing up, and is yearly increasing, a large class of persons who vote solid for extravagance; a class composed not solely of builders,

surveyors, professional men of various kinds, and the numerous servants of municipal bodies, but also of expectant beneficiaries from such extravagance—people who have a vague but firm belief that, if much is spent, something will come their way.

Much evidence might readily be produced, tending to show that the citizens of Great Britain, so far from being blindly enamoured of their present extensive exploitation of the extra-municipal functions of their local governments, are by no means satisfied with what has already been accomplished, and are praying to be delivered from the extraordinary burdens which have been cast upon them in the form of abnormally large municipal indebtedness and grievously heavy yearly exactions in the form of rates.

The *London Standard*, one of the most responsible journals in England, has said: "Municipal trading is a thing which, except in very rare instances, stands self-condemned."

Cost of service.—For the purposes of this article I shall assume that, in the generation and supply of electricity for lighting, the municipalities of England and Scotland have, upon the whole, been measurably successful in furnishing a fair article at a fair price. Taking all the figures together, Mr. R. S. Hale, of Boston, a competent statistician and engineer, after careful consideration, concludes that there has been a difference in favor of the consumer in the results which have been obtained from the municipal, as contrasted with the private, supply of electricity for lighting—a difference, however, which is not so large as not to be creditable to the companies, in view of the handicaps under which they have been obliged to operate, to which I shall presently allude. Moreover, with the exception of metropolitan London, practically all of the private plants are in very small cities, while the great bulk of the municipal plants are in larger cities.

Another fact to be borne in mind in this connection is that, in some important instances, the showing which municipal plants have been able to make has been materially assisted by the circumstance that the going plants and business of private

companies have been taken over by the municipalities, which have thus reaped the benefits of individual initiative and development. This is conspicuously true of Leeds (population 390,000 in 1896) and Liverpool (population 517,951 in 1896).

But the success of municipal undertakings in the supply of electricity for light has been confined to the single feature above named, and has resulted solely to the benefit of comparatively few consumers, and not to that of the general public. It has likewise been accompanied by failures in other directions, to be presently mentioned, which more than counterbalance the single favorable feature above referred to.

There is nothing to show, and there is no reason to assume, that the electric supply in Great Britain could not have been furnished by private companies as satisfactorily and as cheaply as has been done by municipalities, if they had had the opportunity. Where (in a very few instances) they have had such opportunity the results have been about the same or better; and if there are any differences against them, they are amply accounted for by the differences in conditions under which private and public lighting enterprises are by law conducted in Great Britain.

As to comparative gas prices, Sir Courtenay Boyle, who was president of the great governmental department known as the Board of Trade from 1893 to 1900, said before a parliamentary committee in 1900 that, if allowances were made for the fact that the municipal plants were located in the more populous communities, the best that could be said for municipal gas was that it probably cost the consumer somewhat less than private gas.

The comparative results of municipal and private gas supplies in the United Kingdom in the year 1902-3 are summarized in the *Municipal Year Book* for 1905. This book contains the official parliamentary reports of all the so-called statutory gas-works in the kingdom. It shows an average price per 1,000 cubic feet of gas furnished by public plants of 2s. 8d., and by private plants of 2s. 11d.—an average difference of about 6 cents per 1,000 cubic feet. This result is highly creditable to the private companies, in view of the fact that most of the large gas

supplies, outside of London, are municipal, and that the price of coal and labor is much higher in London than in the cities having municipal gas-works.

By consulting Field's *Analysis*, we are able to compare average prices of typical provincial private and municipal gas-works in England, and find that the price under municipal ownership is about 55 cents per 1,000, and under private ownership about 51 cents per 1,000, but with a difference in average candle-power of 18 for municipal as against 16 for private works.

In the case of gas, unlike electricity, the private companies have been allowed to operate under substantially the same conditions as municipalities. The comparisons are therefore fairer to the companies in the case of gas prices than in that of electric prices.

It is of some importance in this connection to note the history of British gas manufacture and distribution. Gas supply started in England in 1812. The first municipal works were erected in 1824, and the first important works of that character—namely, in Manchester—in 1843. As late as 1850 hardly more than a dozen municipal gas supplies were in existence, and it was not until the decade of 1860–70 that the municipal ownership of gas-works began to any large extent. In most cases the cities or boroughs taking up the business purchased the plants and took over the customers of existing private companies, and therefore started with a going business.

In London there has been a gas supply from the beginning of the industry, but it has always remained in the hands of private companies. Down to about 1850 there was free competition between several companies, resulting in poor service, at moderate prices, with low dividends. For the next twenty years there was practically a regulated monopoly. This resulted in better service and higher dividends, though the price remained about the same. Since 1870 the so-called "sliding scale" has been in use, accompanied with lower prices, better service, and larger dividends.

In the field of electric traction, while British municipalities

have given lower fares for short rides than are charged in America, their average fares per mile traveled and fares for long distances are higher—particularly when the difference in wages and in the value of money there and here is taken into consideration.

II. DETRIMENTAL CONSEQUENCES OF MUNICIPAL OWNERSHIP

If it be assumed that the public supply of electricity has been successful in the single particular above referred to, it has been attended with other consequences of a most detrimental character.

I. HAMPERING AND RESTRICTION OF THE INDUSTRY

The first, and perhaps the most serious, of these consequences has been the undoubted hampering and restriction of the growth and development of the electrical industry, as a whole, in Great Britain—resulting, as I shall presently show, from the peculiar manner in which the laws applicable to the subject have favored the municipal and discouraged the private exploitation of the industry.

The backwardness of the development of the electrical industry, as a whole, in Great Britain is, I think, practically admitted on all sides; if not admitted, it is readily demonstrable. So serious was this state of things that in 1902 the Council of the Institution of Electrical Engineers of England appointed a committee “to determine whether they can recommend the council to take any action, and, if so, what action, that would assist the industry.” The inquiry was based upon facts set forth in a paper written by Mr. W. L. Magden, published in the *Journal of the Institution of Electrical Engineers*, 1900. The Institution of Electrical Engineers was composed of men connected with both public and private electrical enterprises, seeking only an enlargement of the field, however that result might best be brought about, including such eminent men in the profession as Professor W. E. Ayrton, F.R.S., Major P. Cardew, R.E., Lieutenant-Colonel R. E. Crompton, C.B., Mr.

S. Z. Ferranti, Professor J. Perry, F.R.S., Mr. A. Siemens, Professor Silvanus P. Thompson, F.R.S., and others. Their qualifications to pass upon this subject amply appear from the proceedings of the committee, which were published by the Institution.

After taking the evidence of various people competent to speak upon the subject, including both those in favor of as well as those opposed to the municipal operation of electric-lighting and tramway plants, the committee reported :

That, while taking divers views of subsidiary questions, the witnesses were practically unanimous in their conviction that electrical enterprise has not attained the stage of industrial development in this country which might fairly have been expected, having regard to the many favorable natural conditions, and having regard also to the achievements of British capital, labor, and inventive genius in so many other branches of the mechanical arts.

And among the resolutions adopted by the committee (March 25, 1902) was the following :

That, notwithstanding that our countrymen have been among the first in inventive genius in electrical science, its development in the United Kingdom is in a backward condition, as compared with other countries, in respect of practical application to the industrial and social requirements of the nation.

These conclusions are amply borne out by the facts in evidence, and others which are readily obtainable. The most striking and convincing figures were submitted by Mr. Philip Dawson, E.E., found on p. 183 of the report. They included the following :

COMPARATIVE APPROXIMATE FIGURES AS TO ELECTRIC LIGHTING, POWER, AND TRACTION, 1901

Country	Station Kilowatts Available for Lighting and Power	Station Kilowatts Available for Traction	Miles of Single Track Electrically Equipped	No. of Electric Cars Running	Total Electrical Station Capacity in Kilowatts	Population of Country	Total Approximate Capital Invested
Great Britain.....	200,000	50,000	900	2,600	250,000	40,000,000	\$35,000,000
Continental Europe ..	400,000	154,600	5,000	9,800	550,000	350,000,000	85,000,000
U. S. of America.....	1,200,000	800,000	21,000	68,000	2,000,000	70,000,000	200,000,000

Thus it is seen that the United States, with less than double the population of Great Britain, has six times the amount of

apparatus installed for furnishing electric light and power, sixteen times as much for electric traction, twenty-three times as many miles of electric railway, twenty-six times as many motor cars, and five and one-half times as much money invested in such enterprises.

Electric lighting.—Upon investigation, it will be found that in 1888 there was not a single chartered electric-light plant in Great Britain, while at the close of that year there were 574 such plants in the United States, and two years later no less than 1,009. Between 1882 and 1888 sixty charters were taken out in Great Britain, but in 1889 practically every one of them had been forfeited for non-use. Money could not be had for their operation under the law as it then stood. In 1891 eighteen important cities and boroughs in England, Scotland, and Ireland, with populations ranging from 174,624 to 505,368, and an average population of 300,340, were entirely without an electrical supply. They included such principal cities as Belfast (255,950), Birmingham (478,113), Dublin (245,001), Edinburgh (261,225), Glasgow (658,198), Manchester (505,368), and Sheffield (324,243). One of these, Birmingham, had its supply introduced in that year, but another, Hackney (119,606), did not procure one until 1901; while in the other cases the dates varied between 1891 and 1901.

Even ten years ago eighteen British cities and boroughs, ranging in population from 104,000 (East Ham) to 325,000 (Islington), with an average estimated population of 161,738, were still unsupplied, and five of the eighteen had no supply until 1901.

Taking the official census of 1901, we find that no less than thirty-one places in Great Britain of over 20,000 inhabitants each, ranging from 25,178 (Middleton) to 219,272 (Hackney), with an average population of 62,506, were still unsupplied.

But perhaps the most astonishing of all is the fact that, as late as August, 1905, Tottenham, a part of metropolitan London, with a population of over 100,000, had no electric-light supply, and that Rhondda, in Wales, with a population of more than 120,000, had neither electric light nor street railway.

In striking contrast to these figures, and significant as bearing upon the causes to be hereafter discussed, was the situation in the United States on the same dates. It is unnecessary to cite cases to prove that no such important places in this country as those above named in Great Britain were without a full electrical supply at the same dates. In 1902 practically every city and town in the United States of more than 5,000 population had an electric-light supply, and more than three-quarters of the places from 1,000 to 5,000 inhabitants were likewise supplied. Taking the state of Massachusetts alone, we find that in 1890 there were thirty-six towns and cities of more than 10,000 inhabitants, and nineteen with more than 20,000, all supplied; in 1895, thirty-nine towns and cities of more than 10,000, and twenty-three of more than 20,000, all supplied; and in 1900, forty-seven of more than 10,000, and twenty-five of more than 20,000, all supplied; while on June 30, 1904, the date of the last published returns, there was but one town out of the ninety-two cities and towns in Massachusetts with more than 5,000 population without an electrical supply, while no less than fifty-eight towns of less than 5,000 were supplied.

This remarkable lack of development of the electric-lighting industry in Great Britain was principally caused by the action—or, in some cases, rather, the inaction—of municipalities availing themselves of the peculiar conditions created by the electric-lighting acts of 1882 and 1888, hereinafter analyzed. Their attitude was largely dictated by the fact of their ownership of existing gas plants, which, united with the natural inertia of public bodies, and the natural jealousy of such bodies when engaged in quasi-business enterprises toward private companies organized for like purposes, caused for many years a practical stagnation in the supply of electricity.

For example, as late as 1899 the district council of Milton wrote to a company which had made an application to the government Board of Trade for leave to enter upon public lighting in that town, that as the gas-works at Milton belonged to the council, they would, at the proper time, take the necessary measures for opposing the proposed issue of a provisional order for supplying electricity for public and private lighting within that district.

The company gave it up for that year, but renewed their application in 1900, and, in January, 1901, the council resolved that it would not consent to the application of the company, "on the grounds that the council have their own gas-works . . . and also that it is their intention to apply themselves for a provisional order."

In another instance the town clerk wrote to a company under similar circumstances, July 26, 1898:

May I venture to inquire whether you are seriously contemplating proceeding with the application in respect of which you recently served me with a notice, and whether you are aware that the corporation [i. e., the town] are owners of the gas undertaking within the borough!

The company, notwithstanding, persevered, and in 1900 presented a memorial from 1,500 ratepayers (out of a total population of 13,515) in support of the application; but the Board of Trade refused to grant the order to the company, the local authorities adopting, as the final act of obstruction, the usual plan of making an application themselves. Many other similar cases might be cited.

The effect of the dog-in-the-manger policy of the municipalities availing themselves of the preferential rights given them, as against private enterprises, would further appear from a tabulation of the dates when provisional orders authorizing municipal supplies were obtained by various municipalities from the Board of Trade, and the dates when such supplies were in fact begun—if begun at all. But the cases are so numerous and the disparity in dates so great as to make the insertion of such a table here unnecessary. Suffice it to say that of the 241 cities operating plants in 1903, 129 had rested on their rights for from four to sixteen years; and that at the close of 1903 there were 70 cities which had been sitting on their "provisional orders" without using them for from four to thirteen years (H. R. Meyer).

Electric traction.—The stifling of an industry by law in Great Britain has not been confined to that of electric lighting and manufacture; it is also true of electric railroading.

Electricity was successfully adapted to street-railway work in England and Ireland as early as 1883, several years before it was successfully used in the United States (1886); but, notwithstanding its earlier start, it makes a sorry showing compared with that exhibited by the industry in this country. As appears from the table already submitted, Great Britain had at that date (1901) approximately only 50,000 station kilowatts available for traction, as against 800,000 in the United States; only 900 miles of single track electrically equipped, as against 21,000 in this country; only 2,600 electric cars, as against 68,000 here; while its population was more than half as great.

Although the municipalities have since 1890 quite generally exercised their option of purchase under the act of 1870, and have been wholly free from any limitation like that which so seriously affected the private companies, the comparative figures above given show how little use they have made of their opportunities to develop the business.

The following statement upon this branch of the subject is in part founded upon an article by Professor Hugo R. Meyer, of the University of Chicago, in the *Journal of Political Economy* for September, 1905.

Between 1891 and 1895 only thirty-four miles of street railway, of any kind, were built in the United Kingdom. Prior to 1895 only two British cities had adopted electricity as a motive power for their public tramways, while, in that year, no less than 94 per cent. of all the street railways in the state of Massachusetts were electrically equipped. Even as late as five years ago (1900) there were only seven British municipal railways operated by electricity. And all this notwithstanding the fact, above mentioned, that a permanently successful street railway (the second in the world) had been built by private capital in Ireland as early as 1883, and another in England in the same year; whereas there was none such in the United States until 1886, where, notwithstanding its late start, private capital put down no less than 1,262 miles in the four years between 1886 and 1890.

While electric railway building was making tremendous

strides throughout the United States in the years 1890 to 1895, there was practically total stagnation in Great Britain during the same period, only eight short lines being built by private enterprise, and only one and one-fourth miles by municipalities. In this state of things, partial relief came in the form of the so-called Light Railways Act of 1896, under which suburban and interurban roads could be built without liability to compulsory sale, as provided in the act of 1870. But so great was the influence of the several municipal authorities and of the Association of Municipal Corporations (of which more anon) that the government board authorized to issue licenses for the building of electric tramways had, prior to January 1, 1904, approved applications for only 592 miles, while rejecting or practically forcing the withdrawal of applications for 1,279 miles. As a result of this policy, Hastings, for example, with 68,000 inhabitants, and Rhondda, with 120,000, still have no electric railways whatever, while three suburbs of London, with a united population of 128,000, were refused an increase of their railway facilities, which amounted to only one mile of track for each 17,500 people. In this connection it is instructive to note that the population per mile on the largest street railway in Massachusetts is 2,170, and on its second largest, only 1,450.

In 1900-1901 the city population (that is, in places above 10,000) was about the same in Great Britain (25,275,000) and the United States (24,139,000). Out of the 22,589 miles of electric railway trackage in this country in June, 1902, more than one-half, or upward of 14,000 miles, was in cities and towns of 10,000 inhabitants and upward; whereas, as late as March, 1904, the total mileage of urban and interurban railways in Great Britain was not more than 3,200 miles, or less than one-fourth what it should have been in comparison with that of the United States. In 1902 there were 230 cities of 15,000 or more in the United States, all of which were supplied with street railways; while in Great Britain there were 260 such cities, only 143, or about one-half, of which were so supplied in 1903.

This paralysis of electric railroading in Great Britain is due

to the same cause as that of electric lighting, to wit, legislation favoring municipal operation and discouraging private enterprise. The Tramways Act of 1870, like the Electric Lighting Act of 1882, limited the undisturbed operation of private enterprises to initial periods of twenty-one years and subsequent periods of seven years each, at the end of which periods the public authorities were authorized to purchase at less than full market value. The result was the same in both cases—great reluctance on the part of private capital, and consequent financial stagnation in the development of the industry. The provision for compulsory sale and the protection given to municipalities against the competition of private enterprises resulted in the failure to adopt electricity as a motive power until long after its practically universal use in the United States; just as the same cause operated to deprive the great bulk of the citizens of Great Britain of electricity for lighting long after it was in very extensive use in this country.

While British municipal tramways have given low fares for short distances, their fares for long distances and their average fare per mile traveled are higher than in the United States. The average fare is about 1 cent a mile, but, except in a few cases, the minimum fare is 2 cents. In London a ride of six and a half miles costs 6 cents. In Glasgow a ride of eleven miles costs 11 cents, though the distance is less than from the Battery to Bronx Park, New York, for which the fare is 5 cents. There are many instances in the United States of rides of five miles or more for 5 cents, but few, if any, in Great Britain. Free transfers are unknown there.

British municipal tramways have thus wholly failed to meet the prime requirement of modern electric railroading, to wit, the cheap and rapid transportation of the working classes from the crowded sections where they work to healthy suburban residential districts. The congestion of the slums, with its attendant dangers, has not been relieved, as has been so largely the case in the United States.

Manchester, with an estimated population of 631,000, has within the area reached by its municipal tramways about 750,-

000 people. It operates, altogether, about 146 miles of single track. It thus has a population of 5,137 per mile of track—more than double that of the Boston system—and yet earns less by nearly \$100,000 a year than it could obtain as rental for its use. The chairman of the tramways committee has recently stated in the city council that about £50,000 a year was the largest profit which could be expected for some years; while a private company has offered to pay a yearly rental of £70,000.

Glasgow, with its suburbs, has about the same population as "Greater Boston"—1,000,000; while the city itself is considerably larger than the city of Boston—760,000. According to the census of 1901 more than one-third of these 760,000 people live in "tenements" of one or two rooms, each tenement containing from three to twelve persons; and yet Glasgow, with all its boasted progress toward the millennium of municipal ownership has a total of only 148 miles of municipal railway, which is less than one-third of the mileage of the Boston company's system alone, which is 448. The population per mile of track in Glasgow is 5,135, or two and a third times greater than that of the Boston system. And Glasgow refused to consent to have private capital connect the city with several important suburbs, by building 11 miles of track.

What Glasgow, at the pinnacle of municipal ownership and operation of tramways, has failed and refused to do for its wage-earners has been abundantly accomplished in numberless American cities by private enterprise. It may well be asked under which system the tenement-dweller and the wage-earner has the most to hope for.

In one case in England, where a private line of $6\frac{1}{2}$ miles was projected through three adjoining towns, two of which alone had a combined population of 55,000, one of them took to itself the $1\frac{1}{4}$ miles projected within its limits, thus forcing itself into partnership with the private applicants.

Electric telephones.—In the same manner the development of the telephone industry in private hands has been hindered and restricted by the practical limitation of telephone franchises

to seven-year periods, the refusal of the right to construct lines in the public ways except under onerous conditions, and the imposition of the payment of a royalty of 10 per cent. of the gross earnings to the Post Office Department. Yet, notwithstanding these handicaps, private enterprise has far outstripped governmental activity in this field.

To test the comparative extent of telephone service in American cities corresponding in population to the five British cities operating municipal telephones, the following places have been selected practically at random, according to their populations. With three exceptions, they are all in Massachusetts, where, perhaps, conditions are more like those in Great Britain than elsewhere in this country. As many American cities have been taken in each instance as were necessary to make their combined populations equal to that of the British city with which comparison is made.

PLACES	POPULATION		NO. OF TELEPHONES IN USE July 31, 1905			Excess in U. S. over both Municipal and Private Telephones in Great Britain	Percentage of Excess
	Estimated	1900	Municipal	Of Private Companies			
<i>Glasgow</i>	782,500		12,400	22,600			
<i>Boston</i>	560,892	773,042					
<i>Brookline</i>	19,935						
<i>Springfield</i>	62,059			54,663	19,663	56	
<i>Somerville</i>	61,643						
<i>Lynn</i>	68,513						
<i>Hull</i>	256,000		1,600	5,209			
<i>Newark, N. J.</i>		246,070			9,892	3,083	45
<i>Brighton</i>	127,000		1,924	3,229			
<i>Worcester</i>	118,421	127,225			7,689	2,536	49
<i>Webster</i>	8,804						
<i>Portsmouth</i>	201,000		2,229	2,968			
<i>Providence, R. I.</i>	175,597	203,801			10,424	5,227	100
<i>Woonsocket, R. I.</i>	28,204						
<i>Swansea</i>	98,648		1,232	2,405			
<i>New Bedford</i>	62,442	93,478			4,067	430	12
<i>Taunton</i>	31,036						
Total.....	1,465,148	1,443,616	19,385	36,411	86,735	30,939	55.4

Before proceeding to inquire in more detail into the cause or causes of the limitation of the development of the electrical industry in Great Britain, it will be well, I think, to state some

other respects in which the municipal undertaking of electricity supplies has worked disadvantageously in the United Kingdom.

II. DISCOURAGEMENT OF PRIVATE INVESTMENT

The limitation of the industry above described has resulted not only in postponing, and in some instances, in excluding, a supply of electricity for lighting and for traction in a large number of cities and towns, but also in the limitation of the investing classes interested in the development of the industry, and in the minimizing of the number and importance of the establishments for the manufacture of the electrical machinery and apparatus which would have been necessary in case of larger development. The latter feature of the situation is strikingly illustrated by contrasting it with the enormous size and importance of such manufacturing establishments in the United States and Germany.

An Englishman has well said :

The idea of thrift should be encouraged as far as possible. It is of immense national value. . . . The possibility of small investment, and thus an important inducement to thrift, is greatly diminished by the municipality indulging in business which would be carried on otherwise by associations of individuals who would raise capital from the community generally by shares.

Without private capital and skill new industrial enterprises do not receive that impetus and development which they otherwise would. Public officials do not invent, exploit, or develop new things, but leave the field of discovery, initiation, and development to private persons actuated by the hope of large rewards.

Whatever may be the result of the prosecution by the public or its representatives of an enterprise which has been founded and put on its feet by individuals, it is doubtful if any case of successful municipal initiation of such an enterprise can be cited. Individual initiative is always necessary. Sir Richard Webster, then attorney-general of England, called it "the absolute necessity of inventive competition." Water supplies, gas supplies, transportation, electricity, even in England, all owe their initiative to private enterprise. Only twelve important towns in England built their own water-works.¹ Gas supply was in private

¹ *Municipal Year Book*, 1905, p. 367.

hands exclusively at first, and it was nearly or quite fifty years before it went largely into the hands of municipalities. Most, if not all, tramway undertakings which are controlled by municipalities today were originally established by private enterprise and subsequently taken over by public authorities.

The same is true of electricity. The towns and cities with gas plants on their hands were literally forced into the supply of electricity to head off private enterprise. But, notwithstanding this, private enterprise started electric companies in London, Liverpool, Sheffield, Birmingham, Nottingham, Newcastle, and other principal towns in England.

As illustrating the importance to the development of a new industry of a class of private capitalists educated by experience in such matters—a class which cannot exist if the government or its local agencies concern themselves too much with such development—Mr. A. A. C. Swinton, an English electrical engineer, has instanced the fact that because an electrical company has been allowed to operate upon favorable terms as to compulsory sale, etc., in Newcastle-on-Tyne (212,000 population, 1896), “there has never been any difficulty in finding money there for the development of electric lighting.” In fact, this was so much the case that “there has grown up in that neighborhood . . . a body of investors who believe in electrical enterprises as an investment.” He expressed his conviction, which is easily understood, as follows:

That if private enterprise had been given free scope, it would have begun in the larger towns, and would have been successful. It would thus have trained up a large number of investors who were satisfied with these electrical undertakings to begin with. They would then have put their money into electrical manufacturing and electrical traction and other electrical developments as they came along. But the fact that, with very few exceptions, the municipality was given a priority, has led to a very different result.

And as pointed out by Lord Claude Hamilton at the London meeting last July:

It must always be borne in mind that the private enterprise and the private capital, which has been supplanted by the ratepayer's money, is, in many cases, diverted altogether from the district in which that enterprise

would have taken place and that private capital would have been expended; therefore, in the long run the action of the municipalities, in this respect, must be commercially unsound.

Closely related to the limitation of the industry, as a whole, above referred to, but arising principally from another cause, to wit, the inertia or lack of business enterprise ordinarily displayed by public bodies, are the restricted areas and smaller number of consumers supplied by public undertakings as compared with private companies. This feature of the situation will next be dealt with.

III. INADEQUATE DISTRIBUTION OF SUPPLY

The third particular in which municipal supply has worked badly in Great Britain is the inadequate distribution of the supply in places where supply has been undertaken. This has resulted in the accommodation of the few at the expense of the many. The non-consumer (who is legion) gets no benefit; the consumers (who are comparatively few) get all the benefit. I take it to be an indisputable economic proposition that the character of a public service is to be judged of by its extent quite as much as by its cost. It is better service, for example, to supply 100,000 people with dollar gas than to supply 10,000 or 50,000 of the same people with 50 cent gas; or to furnish railway facilities to the larger number at 5 or 6 cents, than to the smaller number at 3 cents. Unless public service is available to the greatest possible number, it fails to just the extent that it is not so available. This is strikingly shown, with respect to electric-lighting service, in the number of lamps installed and the number of customers supplied in five characteristic cities in England and Scotland, as contrasted with three principal cities in the United States, by the table on the following page. The figures given are the nearest approximation possible from available data. The total installation in each case is converted into its equivalent in sixteen-candle power lamps.

It thus appears that the private company in Boston alone has almost as many lamps installed as the total number in the two principal cities of Scotland and three of the principal cities of

City	Population Supplied	No. of Lamps Installed, 16 C. P.	No. of Customers
Glasgow.....	760,423	403,000	9,324
Edinburgh.....	310,479	336,000	7,129
Manchester.....	543,969	300,000	5,171
Leeds.....	428,953	154,000	3,988
Birmingham.....	522,182	113,000	2,374
Total.....	2,572,006	1,306,000	27,986
Boston.....	573,574	1,114,000	15,136
New York.....	2,050,600	2,846,700	50,000 plus
Chicago.....	1,698,575	1,500,000	

England, outside of London, put together; and is supplying more than half as many customers as those five cities combined. Indeed, the number of customers supplied in Boston is almost as large as the total number of customers of the public plants in Edinburgh and Glasgow combined. With a population supplied one-fourth smaller than that of Glasgow, Boston has nearly three times as many lamps installed, and over 60 per cent. more customers. As compared with Manchester, with slightly more population supplied, Boston has nearly four times as many lamps installed, and nearly three times as many customers. Taking Edinburgh and Leeds together, with a combined population nearly half as large again, Boston has nearly two and one-half as many lights and more than one-third more customers. If a comparison is made between Boston and the two cities of Glasgow and Birmingham, which are perhaps the most conspicuous among the British municipal undertakings, we find that while the combined population of those two cities is more than double that of Boston, they have between them considerably less than one-half the number of lamps installed, and only about three-fourths as many customers.

If the comparison is made with Birmingham alone, that birthplace of English municipalism, with a population supplied nearly as large as that of Boston, is found to have only the beggarly number of 2,374 customers, with 113,000 lamps, as against Boston's 15,136 customers and 1,114,000 lamps. The ratio of customers is as one to six, and of lamps as one to ten.

Similar differences in the results of municipal and private management are also exhibited in the telephone field, as appears from the table on p. 275, *ante*.

Comparing Boston and corresponding English cities, taken together, it will be found that three times as many people have an electrical supply in the former as in the latter; that is to say, there are thirty takers of electricity in Boston for each 1,000 of population, as against ten takers for an equal population in the English cities.

A very striking illustration of the superior distribution of electrical supply in England obtained by private business management, operating under reasonably favorable conditions, over that prevailing in the public service, is furnished by the two companies in Newcastle. Those companies represent the best development which has been achieved in the United Kingdom, either by private or public undertakings. The figures are as follows:

COMPARATIVE RESULTS OF PRIVATE OWNERSHIP AND OPERATION IN NEWCASTLE, AND PUBLIC OWNERSHIP AND OPERATION IN EIGHT OTHER IMPORTANT CITIES OF THE SAME CLASS IN GREAT BRITAIN

	Population (Approximate)	No. of Private Lights of 8 C. P.	Private Motors, H. P.	No. of Consumers	Average Price to Public, Excluding Trams and Street Lighting	Thousands of K. W. H. Sold to Public
<i>Public plants—</i>						
Dublin	289,000	82,000	220	850	3.58	857
West Ham.....	267,000	84,000	670	1,004	3.13	1,827
Dundee.....	163,000	72,000	715	1,030	3.52	1,073
Leicester.....	220,000	156,000	167	2,240	3.83	1,719
Salford.....	220,000	122,000	2,685	1,000	2.62	2,051
Aberdeen.....	165,000	107,000	1,871	1,321	3.65	1,581
Cardiff	164,000	62,000	607	1,079	3.27	1,736
Nottingham.....	239,000	206,000	1,913	2,704	2.08	7,937
<i>Private plants—</i>						
Newcastle.....	217,000	288,000	6,650	4,160	{ 1.66 2.50	11,684

(The figures in columns 2, 3, 4, and 5 are taken from the *Electrician's* sheet for 1904-5. The figures in columns 6 and 7 are taken from Garcke's *Manual*, Vol. IX (1905). The figures as to Nottingham include sale of current to the city tramways

From the foregoing the following comparisons appear:

Average population served by public plants	215,875
Population served by the private plants.....	217,000
Average number of customers of public plants.....	1,403
Number of customers of the private plants.....	4,160
Average number of lights supplied by public plants.....	111,375
Number of lights supplied by the private plants.....	288,000
Average capacity in h.p. of motors supplied by public plants	1,106
Capacity in h.p. of motors supplied by the private plants.....	6,650
Average number of k.w.h. sold by public plants.....	2,347,625
Number of k.w.h. sold by private plants	11,684,000
Average price per k.w.h. paid by customers of public plants.....	3.21 cents
Average price per k.w.h. paid by customers of private plants.....	2.08 cents

Thus it appears that in Newcastle, with a population almost exactly the same as the average population of the other eight cities, the two private companies have nearly three times as many customers as the average number of customers of the public plants; more than two and one-half times as many lights; generate more than six times as much power; and sell nearly five times as much current for all uses; while their prices average more than $33\frac{1}{3}$ per cent. lower.

These results have been accomplished in about four years by companies, one at least of which has operated under legal conditions more nearly like those governing municipal undertakings than any others in England, while the municipalities with which the comparisons are made have had a free hand ever since 1882 to accomplish the inferior results shown by their operation.

Newcastle furnishes an equally striking comparison of results of public and private enterprise in the telephone field. The largest government local exchange in the country is that in Newcastle. But on July 31, 1905, it had only 550 subscribers, while the private company operating telephones in that city had 9,119 instruments installed—or more than sixteen and a half times as many.

Outside of London the competition of the National Telephone Company has practically put government local telephones

out of business, notwithstanding the fact that the Post Office Department has the monopoly of long-distance transmissions.

Inasmuch as comparative results obtained by different systems in the same places or under the same conditions furnish the best tests of the respective merits of the two, it will be well to give some further comparisons of that kind in this connection.

The conditions in five important cities in Great Britain furnish excellent opportunities for a comparison of the relative development of telephone service under private and municipal administration. The principal private corporation operating telephones in Great Britain is the National Telephone Company. It operates telephone exchanges in opposition to municipal exchanges in five cities, with the following results:

NUMBER OF PRIVATE AND MUNICIPAL TELEPHONES IN USE IN THE FIVE COMPETITIVE CITIES IN GREAT BRITAIN, JULY 31, 1905

Place	Estimated Population	Estimated Population of Area Supplied	Municipal Tele-phones	National Co.'s Tele-phones	Excess of National Co.'s	Percentage of Excess
Glasgow.....	782,500	1,000,000	12,400	22,600	10,200	82
Hull.....	256,000	287,000	1,600	5,209	3,609	225
Brighton.....	127,000	200,000	1,924	3,229	1,305	67
Portsmouth.....	201,000	250,000	2,229	2,968	739	33
Swansea.....	98,648	150,000	1,232	2,405	1,173	95
	1,465,148	1,887,000	19,385	36,411	17,026	87+

Increase in National Co.'s telephones in those cities for the first seven months of 1905.....	6,630=22½%
Increase in municipal telephones in those cities for the first seven months of 1905.....	1,615=9%
Increase in municipal telephones in Glasgow first seven months of 1905	380=3%
Increase in National Co.'s telephones in Glasgow first seven months of 1905	3,643=19%

That the public authorities do not keep up to the times in the methods and apparatus employed appears from the following notice posted in a government telephone booth in Portsmouth:

First. Apply telephone to ear and press red button with right hand until you hear operator's voice. Then remove hand from button and give number of subscriber wanted.

Second. Replace telephone and turn crank briskly. This will ring bell of subscriber wanted.

Third. When finished hang up telephone and (very important) *press the red button* for two seconds.

These elaborate directions are deemed necessary for the successful use of what is called the "ring through" system, which, while antiquated, is in use in three of the five municipal plants above mentioned. The most curious thing about it, perhaps, is the opinion expressed by the officials in charge of it: that it is well to have the subscriber do as much of the necessary work as possible, in order that he may better appreciate the labor and trouble involved in furnishing him with the service.

A striking illustration of the results of municipal and private competition is furnished in the city of Sheffield. There the private gas company supplies good gas at so low a price that the city cannot afford to light its own streets by electricity, although it has a municipal electric plant which has cost about \$4,000,000. And the gas company earns and pays a dividend of 10 per cent. upon its capital.

The foregoing figures indicate the difference in results which characterize the existence or non-existence of that business energy and push which is ordinarily essential to the success of business enterprises. In case of loss in the prosecution of a municipal business, of course the non-consumer, being a ratepayer, must stand the brunt, in the form of increased rates. *He has been made an involuntary partner in an enterprise not established for his benefit, and from which he can derive no advantage except in the form of profits if any are realized, and must bear the losses if there are no profits.* The figures show that the latter contingency is by no means impossible in all cases, or improbable in others.

IV. FINANCIAL RESULTS UNSATISFACTORY

British municipal plants of the kind under discussion, as a whole, show an average loss. Lord Avebury, formerly Sir John Lubbock, the second chairman of the London County

Council, in a recent communication to the *London Standard* has stated that for the year ending March 31, 1903, sixty towns and cities in Great Britain showed a loss in operating their electrical undertakings equivalent to nearly half a million dollars, notwithstanding the fact that "the accounts do not show the full loss."

Official returns for the electric-lighting undertakings of the kingdom to December 31, 1904, show the following results of operation:

	Municipal	Private
Number of returns.....	182	66
Undertakings showing profits.....	105	61
Undertakings showing losses.....	77	5
Total amount of profits.....	£217,000	£596,667
Total amount of losses.....	83,000	5,000
Balance of profits.....	£134,000	£591,667
	£770,000	\$2,958,335
Percentage of plants showing profit.....	58	92
Percentage of plants showing losses.....	42	8
Average profit per plant.....	\$4,230	\$45,126

And the showings made by municipal plants, as poor as they are, have been made possible only by neglect of the items of depreciation and reserve. Says Lord Avebury:

In comparatively few places does any sufficient sum appear to have been placed to depreciation or reserve during the year under review. At Glasgow the loss was transferred to a suspense account, and in several other cases the loss was either charged to the general district or borough fund, or in part paid by this means and the balance carried forward to next year's account.

Based upon Sir Henry Fowler's "Returns" to the House of Commons, it appears that, in recent years, the annual allowances for depreciation, in the cases of 193 water-works, 97 gas-works, 102 electric plants, and 29 tramways owned and operated by municipalities in England and Wales, have averaged *less than two-tenths of 1 per cent.* on the amount of capital originally invested, and barely over two-tenths of 1 per cent. on the balance of capital indebtedness remaining after repayments of capital out of earnings.

The Glasgow municipal telephone undertaking is a sample of other cases. The accountants who have audited the accounts of this department have repeatedly said, as in 1905, that, in their opinion, "the sum provided out of revenue for depreciation is insufficient"—a statement which is omitted in the published reports of the department! If 5 per cent. were allowed for depreciation, it would have amounted in the five years of operation to £57,000. Preliminary and general expenses amounting to £9,975 have never been charged off. These two items amount to £66,975. Deducting from this the balances on hand in the sinking and depreciation funds of £6,680 leaves a total deficit in five years of operation of over £60,000, or about \$300,000.

The telephone systems operated by the national government are all operated at a loss—in London, in the provincial cities and towns, and the long-distance lines. For the year ending March 31, 1905, this loss was \$637,600 (reckoning \$4.80 to the pound). The loss on the telegraph lines of the government for the same period was \$4,497,600—making an aggregate loss in this branch of the Post Office Department of over \$5,000,000.

The London borough of Battersea recently expended about \$4,000 as its share in fighting an application to Parliament for a right to supply electric current in the greater London district at much below present prices. This expenditure was charged to the general expense account of the borough, instead of to its electric-lighting department, as it plainly should have been.

V. MONOPOLY OF MUNICIPAL CORPORATIONS

It may be as well in this connection as in any other to say something about the Association of Municipal Corporations and its influence, particularly upon legislation.

According to a recent statement by its president, it embraces in its membership no less than 294 of the municipal corporations of the country, which is within about thirty of the whole number. Only one municipality of more than 30,000 is outside its membership, the others all being under 16,000. Its meetings are largely attended by the mayors, town clerks, and other principal officials, as well as by the members of the town and bor-

ough councils. Matters of common interest are discussed, and the association is committed for or against the various matters touching municipal interests proposed or pending in Parliament. It employs counsel, and otherwise takes an active part in shaping or opposing legislation. As practically all matters of importance, including all applications for rights to perform quasi-public services, must come before Parliament, the importance of the intervention of this association can in some degree be appreciated. Its power is tremendous—some say practically invincible.

Private enterprises, which, in any way or in any locality, are deemed an interference with or menace to municipal undertakings, can pass the gauntlet of parliamentary and governmental action only by force of superior merit accompanied with lavish expenditures. Each house of Parliament ordinarily acts in such matters quite independently of the other, through committees and otherwise, necessitating a double victory in every case where an applicant for parliamentary permission to establish a new enterprise succeeds in getting it.

In an address before the London Society of Arts three years ago, the distinguished lord chief justice of England, Lord Alverstone, spoke as follows upon the enormous power of the Association of Municipal Corporations:

Only those who have been in the House of Commons know the really almost unfair weight and power which municipal bodies have in the House, because not only does the local member not dare to resist the wishes of his local friends, but all the municipal corporations act together, and when there is an attempt to get statutory powers for private enterprise which is thought to conflict with the possibility of municipal trading in a particular place, not only is the influence of the municipality in that particular place set to work, but the influence, through the Municipal Corporations Association, of many other municipal bodies which have nothing whatever to do with the particular scheme. Without fear of contradiction, I can say that the question under those circumstances is not fairly determined upon its merits, and is not fairly discussed.

The Merz application.—In this connection it would be of great interest to go, somewhat in detail, into the recent application of Mr. Charles H. Merz, and others, under a corporate

name, for parliamentary permission to furnish electric current throughout Greater London at a maximum charge claimed, and I think proved, to be below the minimum charges now made by the boroughs and private companies in this business in the same areas. Mr. Merz had made a conspicuous success of a similar enterprise in Newcastle-on-Tyne, producing, as I have already shown (p. 280), results not obtained elsewhere in the kingdom, under either public or private management. And yet he was met with the united opposition, not only of the boroughs and companies immediately affected, but of that of the almost invincible Association of Municipal Corporations. The array of legal talent at the parliamentary bar last summer was one rarely to be seen, and never to be forgotten by an American lawyer, who, like myself, witnessed it. And it was an expensive as well as an impressive array.

The expenditures incurred by Mr. Merz and his associates for the legitimate expenses of the application in both houses exceeded his original subscription of £12,000 for that purpose, and I was credibly informed that he expected to call in his supplementary subscriptions in full, making a grand total of approximately \$125,000. In spite of the tremendous opposition which he encountered, he succeeded in securing favorable action by the House of Lords, who, holding their seats by inheritance instead of by election, were in a position to treat the matter upon its merits; but he did not succeed in passing his bill through the House of Commons. What the aggregate expenditures of his opponents were is not within my knowledge; but they must have been correspondingly large. The only thing about them which one can feel quite sure of is, that they will not appear in the electric-lighting accounts of the numerous boroughs which opposed the application.

VI. OFFICE-HOLDING VOTERS

The creation of a large and ever-increasing class of office-holding voters is another very serious result of municipal ownership in Great Britain. The objections to it are obvious to Americans and are well recognized in England.

It was one of the principal features of the meeting of the 20th of July, 1905, already referred to, and the *London Times*, in its editorial upon that meeting, not only emphasized this danger, but pointed out the fact that there is a yearly increase in the number of non-office-holding persons who may be depended upon to vote solidly for municipal extravagance in expenditure, being what the *Times* calls "expectant beneficiaries of such extravagance."

Fully to realize the importance of this consideration, one has but to reflect upon what the conditions would be in Boston, New York, Philadelphia, or any other large American city, if all the street-car operatives and electric, gas-lighting, and telephone employees were added to the already sufficiently large municipal pay-rolls. In the city of New York, for example, there are about 50,000 such employees, exclusive of those in the telephone service. There are already on the city pay-rolls fully 50,000 municipal employees. If the former should be added to the latter, the combined force would constitute an army of fully 100,000 people, or one-sixth of the total voting population. If united and aided by their friends and relatives, such a combination would be invincible.

Under such conditions, the existing local political "machines" would become so strong as to be impregnable, and the private citizen would finally realize all the burdens and inconveniences which his practical disfranchisement would involve. He is now urged to take some part in local politics; it would then be of no use to do so. The cohesive power of such a combination of office-holding voters would control every local matter, particularly those involving expenditures of money in which they might have a personal interest, although they might not be, and in a majority of instances would not be, taxpayers themselves.

The report can readily be credited that "Dry Dollar" Sullivan, upon returning from a recent personal study of the political results of municipal ownership in Great Britain, said (in substance) that if the same expansion of public functions could be secured in New York City, Tammany Hall would be sure of its control for at least one hundred years.

The *Melbourne Argus* tells us that in Australia, where the theory of government management has been pushed to the extreme, "the state servants already constitute almost a clear majority of the names on the electors' rolls." "The employees, having life posts, are not amenable to discipline or to public sentiment," says another Australian editor (Mr. W. J. Sowden, of Adelaide), who states the results as follows:

We have had a sad experience with government ownership. Nearly all our public utilities are administered by government, with the result that politics dominate them, and the public service is woefully misadministered. . . . We are simply governed to death, and officialism runs riot.

Association of Municipal Employees.—This association offers, as one of its principal inducements to non-members to join it, what it asserts to be "the wonderful influence at municipal elections" which it is able to exert. At the eleventh annual conference of that association in 1905, Mr. James Keir Hardy, M.P., stated that parliamentary reports showed that over two million wage-earners in Great Britain are already on the municipal pay-rolls. In the year 1904 its membership increased from 4,486 branches to 6,410 branches, or 47 per cent.

Adding the influence of such an organization of municipal employees to that of the association of the municipalities themselves, the assertion, publicly made, can readily be believed that members of Parliament find themselves unable to exercise their own judgment in opposition to the wishes of such a combination, while local officials are still more influenced by it. It has already become the practice in some places to require local candidates to pledge themselves in advance to a program of increased wages and shorter hours for municipal employees. In Swansea, where the labor element controls the council, the trades union meets the night before the meeting of the council, and instructs the members of the council whom it controls how to vote.

Leading public officials of the United Kingdom, including the present lord provost of Glasgow, have repeatedly asserted that, in view of the great increase in the number of municipal

servants; the financial interests of the municipalities demand their disfranchisement in local elections.

VII. INCREASE IN MUNICIPAL DEBTS AND TAXES

The last, although by no means the least important, circumstance which has attended, if not resulted from, the enlargement of municipal functions in Great Britain, is a tremendous increase in municipal indebtedness and taxes.

Take, for example, the recent statement of Lord Stalbridge, chairman of the London & Northwestern Railway, that in the twelve years between 1891 and 1903 the local rates and taxes, exclusive of income tax or government duties, paid by British railways increased from the equivalent of about eleven and a quarter million dollars to nearly twenty-two and a half million dollars, or 100 per cent. and continues to increase at the rate of a million and a quarter yearly.

One of the leading citizens and most extensive manufacturers of Glasgow, and at the same time one of the fairest men in his attitude toward municipal ownership, Mr. Arthur Kay, in a paper read before the Glasgow Royal Philosophical Society, March 25, 1903, reviewing the local statistics for the preceding eleven years said:

The figures given show that the population of Glasgow has in the past eleven years increased 16 per cent., the valuation 45 per cent., the rates [i. e., local taxes] 112 per cent., and the debt 119 per cent. The ratio of assets to liabilities has gone up from 119.06 to 128.89.

That is to say: the valuations of property for taxation had increased nearly three times as much as the population; which, of course, involves the possibility that the increase in the actual wealth of the community had enormously outstripped the increase of the population in eleven years, but more probably leads to the conclusion that, in order to meet the demands of a rapidly increasing municipal expenditure, the valuations of property for purposes of taxation had been abnormally advanced; also that the individual ratepayer had seen his annual taxes more than doubled in the period, and the municipal indebtedness for which, as a citizen, he is in part responsible, increased in a still larger

ratio, while the excess of the municipal assets over liabilities had increased only by a paltry 10 per cent.

Still more striking and effective are the figures applicable to all of England and Wales which were quoted by Mr. Kay. He said :

The ratable value of England and Wales in 1875 was 115½ millions sterling, and the rates raised by local authorities, 3s. 3d. per pound. In 1900 the ratable value was 175½ millions, and rates raised 4s. 11d. per pound—£1 5s. 7d. per head in 1900, as against 16s. 2d. per head in 1875;

which, being interpreted, means that, while the value of private property subject to local taxation had increased in about the same ratio as the taxes, i. e., 50 per cent., the owners of that property paid half as much again *upon each pound* in 1900 as they did in 1875, while the local taxes *per capita* had increased 58 per cent. in the same period. While the annual value of a piece of property increased, say, from \$1,000 to \$1,500, the local tax bill thereon likewise increased from \$195 to \$442 in the same period. That is, *a 50 per cent. increase in the valuation of property was attended with a 126 per cent. increase in the local taxes paid upon it.*

A 50 per cent. increase in the valuation of one's property should naturally entitle him to the same increase in his income from it; but in England and Wales an increase in valuation of 50 per cent. has been accompanied by an increase in income of only 31½ per cent. In other words, the public has appropriated about 40 per cent. of the increase in the value of private property.

Such were the financial results to the ratepayers of England and Wales during the last quarter of the nineteenth century, when municipal ownership was making giant strides in Great Britain.

The *London Times*, September 16, 1902, showed that the rates in the London borough of West Ham, with a population nearly as large as that of the city of Dublin (267,000) had increased nearly 80 per cent. in the twelve years beginning with 1890, being 10s. 8d. (\$2.56) in the pound in 1902, as against 6s. (\$1.44) in 1890. Compared with taxes in the United States these figures are interesting. A piece of real estate in West Ham

worth, say, \$1,800, and having an annual rental value of \$100, would be taxed \$53.35. The same property in Boston would be taxed \$28.80, in New York City \$26.82, and in Chicago \$23.18. It is not strange that the head of the Great Eastern Railway should have said, as he did at the Caxton Hall meeting on July 20, 1905, that so grievous were the local rates levied on his company in West Ham that it would gladly remove its work and its workmen to another place if the expense of doing so were not prohibitive.

The *London Standard* has been waging an almost daily campaign against what it terms the "disease of municipalism." Popular interest in its articles is greatly augmented by the fact that they have gone into the details of the financial results which have followed the enlargement of the municipal enterprises of the various boroughs in the metropolitan districts of London. A full statement of London borough finances would not, perhaps, be altogether intelligible to the American reader, but the outline of one of them may be taken as an illustration.

The *Standard* gives figures showing the increase in ratable value and municipal debt of the borough of Hammersmith between 1888 and 1905. They show an increase of population of 20 per cent., an increase of ratable value of 42 per cent., and an increase of local debt of 280 per cent. While the property employed by English municipalities in public enterprise is supposed to be subject to local taxation upon the same valuations and at the same rates as private properties, it appears that in the case of Hammersmith the electric-lighting works, which have cost the borough nearly a million dollars, have been until recently assessed at a ratable (which is practically the rentable) value of only a little over \$16,000, or a little over $1\frac{1}{2}$ per cent. on the cost. This undervaluation for purposes of taxation was so palpable, however, that the assessment has now been raised to about 5 per cent.

As was stated at the London meeting referred to, the cost of running the London government alone doubled in the ten years between 1892 and 1902, going from twelve to twenty-four million pounds per annum. The treasurer of the London

Chamber of Commerce (Mr. Stanley Machin) in 1905 gave the cost of conducting the affairs of the metropolis as £5 7s. 7d. per head of population, as against £3 9s. 4d. ten years ago—an advance of 50 per cent. in that period. He very properly said that this meant “a crippling of the power of living of every householder in the metropolis.”

In a valuable paper read before the London Society of Arts in 1899, which really led to a parliamentary investigation in 1900, Dixon Henry Davies, Esq., solicitor for the Great Eastern Railway, showed that in the preceding twenty years the local debts of the kingdom had increased 120 per cent., and the annual amount of taxation 77 per cent., as against an increase in population of only 23½ per cent., and in the ratable value of property of only 26.7 per cent.

Whether or not this increase in local debts and taxes is to be wholly or chiefly attributed to the extraordinary extent of so-called “municipal trading” need not be determined. Indeed, it may not be easily capable of determination. But that it exists in connection with, and has arisen simultaneously with, the recent enlargement of the old-time notions of the proper limitations of municipal government functions, is indisputable. This enlargement has certainly had a tendency to create the present fiscal conditions of the municipalities.

Investigation shows that the highest rates are levied in the towns and cities having the largest outstanding debts incurred in “municipal trading,” and that such cities and towns are those in which the population is increasing at the slowest rate.

Lord Avebury, in a recent issue of the *London Standard*, speaking of the peculiar interest of the poorer classes in the question, summarizes the result as follows:

As a matter of fact, we find that where the new departure has been most thoroughly carried out, as at West Ham, the rates [i. e., local taxes] are highest, the want of employment most pronounced, the distress most severe.

III. CAUSES OF UNFAVORABLE RESULTS.

Assuming the foregoing to be a fair statement, in outline, of the present condition of municipal electric lighting, railroading, and telephoning in Great Britain, and that, upon the whole, it

would not be desirable, if practicable, to reproduce them in the United States, and that it is wise, if possible, to avoid the causes by which they have been produced, it is necessary to determine those causes with as much accuracy as may be.

The principal and controlling cause of the results which have been obtained in Great Britain is found in English legislation and official regulation respecting the electric industry.

The committee of the Institution of Electric Engineers decided that the cause of the backwardness in the development of the electrical industry in the United Kingdom was especially "the restrictive character of the legislation governing the initiation and development of electric power and traction undertakings and the powers of obstruction granted to local authorities." They alleged this to be the "essential difference between the electrical industry as it exists in the United Kingdom and as it exists abroad." The witnesses heard by the committee were nearly unanimous upon that point. One quoted the statement with respect to the electric-lighting law of a former president of the Board of Trade, the department of the general government which has the practical administration of that law, made upon the second reading of the so-called Power Bills at the session of Parliament of 1900, as follows:

It must be remembered that the act of 1882, more than anything else, has delayed and hampered the development of electrical supply, and in so far as this bill departs from that act, I think its departure is amply justified by the condition of things at present existing in the electrical world.

The predominating characteristic of the legislation on these subjects has been the encouragement of municipal and the discouragement of private undertakings. Reference has already been made to the electric railway acts. The first electric-lighting act was passed in the year 1882. It defined the method of obtaining the necessary permission for the inauguration of a lighting enterprise, which has ever since been followed. It required application to be made to the national Board of Trade for what are called "provisional orders." These operated as permits for the inauguration and prosecution of the business upon the terms, and subject to the limitations and conditions therein set forth,

when approved by act of Parliament, which was necessary to their validity. The act of 1882 subjected companies obtaining provisional orders pursuant to its terms to a compulsory sale of their property and business to the municipalities in which they were established, at the option of the latter, at the end of twenty-one years of operation, or at the end of any successive period of seven years thereafter, upon a rule of valuation yielding less than the full market value of the plants. The result of this provision was to handicap and practically prevent the exploitation of any important lighting enterprises by private capital. It was of the act of 1882 that the president of the Board of Trade stated that, more than anything else, it had delayed and hampered the development of electrical supply. Only four provisional orders were taken out under it in the four years next preceding the passage of the amendatory act of 1888.

The consequence was that an important amendment was adopted in 1888, extending the period in which companies might operate free from the menace of compulsory sale from twenty-one years to forty-two years, and at the end of successive periods of ten years, instead of seven years, each. It further provided, with respect to the rule of damages to be applied in the case of such compulsory sales, which had been laid down as the market value of the property, with certain limitations, that thereafter there should be taken into consideration in fixing the value "the circumstance that the works are in such a position as to be ready for immediate working."

These amendments were extremely important, and were in the right direction, but they were accompanied with others of a different character—including one that the granting of a provisional order should in no respect hinder or restrict the Board of Trade in granting other licenses or orders in the same area. It further required the consent of the local authority to a provisional order for the supply by a private company within that area, unless the Board of Trade were affirmatively of the opinion that such consent ought to be dispensed with. This is the last substantive general legislation which has been enacted upon this subject. Whatever impetus private lighting enterprises have

received has been since the passage of the act of 1888, but this left matters in such a condition that the exploitation of such enterprises by private capital has continued to be extremely difficult. The assent of the local authority—unless the Board of Trade find, for reasons to be stated by them specifically, that it ought to be dispensed with—has been the chief deterrent. Local authorities have almost uniformly objected to private enterprises, and have generally made application for provisional orders on their own account, many of which, however, have either not been used at all, or only at remote dates after they have been obtained.

To show that the preferential conditions which have existed in favor of local authorities have not been accidental, it is sufficient, in addition to the provisions of law above mentioned, to refer to a rule of the Board of Trade applicable in cases where there are different applications for provisional orders for the same area, distinctly to the effect that

The Board of Trade will give a preference to the application of the local authority of the district in every case where, in the opinion of the Board of Trade, no special circumstances exist which render such a preference inexpedient.

The provisional orders granted to local authorities and to private companies or persons, respectively, also differ in important respects in their provisions. For example, a company's prices and methods of charging, as fixed in the original order, may be changed by the Board of Trade, but not those of local authorities (secs. 33 and 27). The companies are made subject to compulsory sale to local authorities in the event of the total or partial revocation of their provisional orders by the Board of Trade (which is authorized), as well as at the end of the statutory periods already mentioned. Mortgages given by private companies do not constitute liens upon their property after a sale to local authorities, but attach to the purchase money. A bondholder, therefore, never knows how long his security is to run, because compulsory sale may be required at almost any time. Indeed, in provisional orders granted to companies in London, it has frequently been provided that compulsory sale may be

enforced at any time. In the case of the particular order granted for the east district of London in 1890, compulsory sale was provided for in twenty-four years of *either* the public or the private business of the company, *or of both*, at the election of the local authority; thus manifestly subjecting the company to the possibility of the splitting of its plant and business in two, and the compulsory surrender of the more profitable and the retention of the less profitable portion of it. These provisions unquestionably militate against the ability of the companies to borrow on favorable terms.

The state of things above outlined justifies the assertion of Mr. J. C. Robinson, in his testimony before the Committee of the Institution of Electrical Engineers, that

No other country requires that the electrical engineer should stand idle, while the necessity for his work, or the exactions under which he shall be allowed to work at all, is being discussed by local bodies, many of whose members are ignorant, and some, perhaps, corrupt, while local [i. e., municipal] gas or other interests block the way.

Municipal ownership of gas-works.—Another cause of the unsatisfactory results above indicated is the municipal ownership of existing gas-works. This fact has led the municipalities owning them, with practical uniformity, to object to the exploitation of a new illuminant by private capital, and to procure rights for themselves, which have been in fact, if not in law, exclusive. Under these rights they have either not established electric-lighting plants at all, or have established them after long periods of delay, thus depriving the communities which they have represented of the new and improved illuminant, either permanently or for long periods of time after the progressive communities of the United States had been supplied by private companies.

Municipal inertia.—Another cause is lack of that individual initiative and business energy and push, without which no industry will develop.

In municipal management it often happens that the right thing at the right moment cannot be done for lack of power.

Consent must be gotten from the local authorities; and before it comes, the opportunity is gone. At one time a popular revolution against extravagance results in failure to make proper necessary expenditures, and at another a determination to have good service leads to waste or recklessness. Public business is everybody's business. Everybody's business is nobody's business, and things a little out of the routine, the little unexpected all-important things which constantly appear, are found undone under municipal management when it is too late to do them. Private business has the enterprise and energy which municipal business lacks.

None of these causes have been operative in the United States, and, because of their absence, the industry has been vastly better developed, and the extent of territory and the number of persons served have been much larger.

IV. DUPLICATION OF BRITISH RESULTS, SO FAR AS FAVORABLE, IMPOSSIBLE IN AMERICA

But if it should be assumed that the results of municipal undertakings in Great Britain are, upon the whole, favorable to the consumer and the public at large, and that it would be desirable, if practicable, to duplicate them in the United States, this could not be done, owing to the existence of radically different conditions in the two countries.

Differences in political conditions.—If, and so far as, the municipal ownership and operation of public-service utilities in Great Britain have been successful, it has been because of the character of the local civil service of that country. Politics, in the American sense, is unknown in the administration of local enterprises. Business principles are applied to the administration of public as well as private works. The rigid limitation of the voting franchise, with other causes, has operated to put into city and town councils and other local legislative bodies men of a superior type, who regard public service as an honor, and whose services are retained by the public practically as long as they are willing to serve. In the choice of administrative

officials they exercise the same care as the directors of private corporations do, and the tenure of such officials is as long and as certain as that of those in similar capacities in private employment.

The comparatively satisfactory condition of British local governing bodies and their executive officials is due to two causes:

1. The education and instincts of the public, which are wholly foreign to the American notion that "to the victors belong the spoils," would not tolerate politics, in the American sense, in the administration of municipal business or quasi-business activities. Scarcely too much emphasis can be put upon this feature of the situation, as the very effective laws which tend to preserve this state of things would, in the end, be ineffective, if it were not for the support of public sentiment. Nor does this condition of things rest upon any artificial rule of conduct, but is inbred in the people, to whom *it does not occur* to project party politics into municipal administration. They do not need any artificial barriers against such action.

2. The whole body of the laws respecting municipal administration, beginning back with those defining and limiting the voting franchise, reflect and emphasize the public sentiment referred to. These laws, in connection with the first consideration above named, are of such prime importance in accounting for the condition of things which is universal in Great Britain and which is non-existent in the United States, that a somewhat careful statement of them in this connection is desirable.

Laws governing the voting franchise.—The qualified voters for municipal officials are called "burgesses." They are persons of full age, who, for at least one year, have occupied alone, or with others, a house, shop, or other building in the borough, and have resided in the borough or within seven miles thereof for a full twelve months.

The most important limitation of this general qualification of the burgess is that he must have paid, on or before July 20, all rates, (i. e., local taxes) which were payable by him up to

the preceding January 5. In Scotland this provision operates very much to reduce the actual voting lists below the number who are theoretically entitled to enrolment. It practically excludes from the franchise the entire body of irresponsible and vicious electors. Albert Shaw, in his *Municipal Government in England*, 1895, estimates that these provisions exclude at least one-third of the theoretical voters at all parliamentary and municipal elections in Scotland.

The "lodger," so called—that is, an unmarried man, paying at least \$50 a year for lodgings—is theoretically entitled to the franchise; but inasmuch as he must procure his own enrolment from year to year (whereas the ordinary ratepayer is enrolled without any action on his part, because he is a ratepayer), he practically loses his right to vote. Thus it is apparent that all "floaters" and other irresponsible unattached single men are excluded from the franchise. Out of 20,000 Jews huddled together in the tenements of the Cheetham district of Manchester only 900 are on the municipal voting registers—undoubtedly chiefly because they do not meet the requirement as to the rentable value of the tenements occupied by them. But this law sometimes excludes intelligent citizens from the franchise, simply because they are "lodgers," as, for example, in the case of the ten reporters on the *Manchester Evening Chronicle*, not one of whom was a voter at local elections. In England the lodger is excluded by law from the municipal franchise, although he may vote for members of Parliament,—except in London, where a lodger in occupation and residence in one definite house within the borough for the preceding twelve months is allowed to vote.

Nor is there any discrimination between the sexes in the right to vote founded on property qualifications, to wit, occupancy of houses, shops, or other buildings. Not only may widows and spinsters vote, if qualified, but all married women, whether their husbands vote or not, have a qualified right to vote on certain matters. But women are excluded from the parliamentary franchise, with which we are not concerned in this connection.

In England not so many small ratepayers are excluded from

the franchise by reason of non-payment of rates as is the case in Scotland, because, in the former country, the smaller rates are ordinarily paid by the landlords and included in the rentals. One of the remedies for municipal extravagance in English municipalities which is most insisted on is that tenants shall be required to pay their rates separately from their rents, so that they may more fully appreciate what portion of the expenses of occupation is attributable to taxes. As it is now, the rentpayer ordinarily does not know what portion of the total payments which he makes for the occupation of premises is for rates and what portion is for rental. The present arrangement is brought about, where it exists, by an agreement between the owner of the premises and the public authorities, under which, in consideration of his payment of the rates of his tenants, he is allowed a substantial discount from the total amount which would otherwise be due from them severally.

While, as above stated, the small ratepayer is not so extensively excluded from the franchise in England as in Scotland, the difference is perhaps more than offset by the fact that the "lodger" is excluded in England (except, qualifiedly, in London), and not in Scotland.

The result of these laws is that in both Scotland and England there is a large accession of desirable voters, and a minimizing of irresponsible and undesirable voters, as compared with the United States—first, by the enrolment of all rate-paying widows, spinsters, and qualified married women; and, second, by the practical disfranchisement of the floating, unattached, and irresponsible persons who are theoretically entitled to exercise the franchise. The difference between the parliamentary voting rolls and the municipal rolls in London is upwards of 110,000 (parliamentary, 606,692; municipal, 716,448), accounted for principally by the addition of women ratepayers to municipal lists.

The exploitation of the slums and of the non-rent-paying population for municipal political purposes is therefore practically impossible in Great Britain.

In addition to the provisions for the practical limitation of

the electoral franchise to the responsible and desirable rate-payers, the purity and efficiency of municipal government in Great Britain has also been protected and promoted by the great stringency of the so-called Corrupt Practices Acts, applicable throughout the kingdom.

The Municipal Elections Act of 1884 provides that no sum shall be paid or expense incurred in excess of £25 (\$125) by or on behalf of any candidate, before, during, or after an election; except, that if the number of electors in the borough or ward exceeds five hundred, an additional amount of 3*d.* (6 cents) is allowed for each elector above the first five hundred. All expenditures must be made through authorized agents, who must submit itemized statements to the candidates, who, in turn, must render complete returns of expenses incurred in the election. No payment can be made by, or on behalf of, a candidate for the transportation of voters, bands of music, or parades, clerks or messengers, except at the rate of one employed person for each one thousand voters, nor for placards or printed matter except through a selected advertising agent. As Mr. Shaw says (p. 246): "These laws are construed strictly, carry heavy penalties, and are scrupulously observed."

High character of local governments.—The result of all these influences is what would be expected, viz., a high level of public service. A glance at the personnel of the London County Council, the most important local body in the United Kingdom, will be interesting and instructive in this connection. The council was instituted by law in 1889, and consists of one hundred and eighteen members elected by the ratepayers—two from each parliamentary district in the metropolitan district, and four from the "City of London" proper. The tenure of office is for three years. The councilors thus elected in turn elect from their own number nineteen aldermen for terms of six years each, nine retiring at the end of one triennial period, and ten at the end of the next such period. Both councilors and aldermen are elected without any reference to national politics, and are termed Progressives and Moderates, instead of Liberals,

Conservatives, or Unionists. The County Council has jurisdiction over a very wide extent of territory, including all the boroughs in London and all within seven miles of Charing Cross. It has jurisdiction over a large number of important subjects, including education, public health, fire department, highways, bridges, workmen's dwellings, tramways, steamboats, drainage, public parks, theaters, and music halls, lunatic asylums, historic buildings, criminal law administration, and so forth. It operates tramways and steamboats, and provides dwelling-houses for the working classes. The extent of the interests in its charge is indicated by the fact that there are no less than seventy-five persons attached to its solicitors' department alone, sixty-five of whom are on yearly salaries or fixed fees.

The present council was elected in March, 1904; eighty-one former members were re-elected, and only thirty-seven new members were chosen. Twenty-eight districts returned both sitting members, twenty-three districts returned one sitting member, while only six districts returned neither sitting member. The City of London returned two old members, and elected two new members. Thus, more than two-thirds of the membership of the present council had at least three years' experience before their present three-year term began. Many of them had served for several terms, and some, like John Burns, M.P., from the beginning. The first chairman was Lord Rosebery, who was succeeded by Sir John Lubbock, and later by Sir John Hutton. The membership includes representatives of all reputable classes in the community, including members of Parliament, justices, retired army officers, merchants, shopkeepers, professional men (including at least one clergyman), labor leaders, and so forth. The chief executive officer of the council is called the "clerk of the council," with a salary of \$10,000 yearly.

Whatever may be the objections to the alleged extravagance of the administration of the London County Council, I have heard no suggestion of the slightest suspicion of its honesty, though some attack its efficiency. Its estimated expenditures for the year 1905-6 are given in the *Municipal Year Book* for 1906 as in excess of \$50,000,000.

For the purpose of testing the quality of important local governments outside of greater London, I made an investigation of the personnel of the present city councils of Glasgow, Scotland, and of Leeds and Manchester, England. The results may be taken as fairly representative of the communities of the larger type in those two countries, and are as follows:

In Manchester the council consists of thirty aldermen and ninety-six councilors, all members of the same body. The former hold office for six years, the latter for three. The councilors are elected by the people. The aldermen are elected by the members of the council from their own number. Other things being equal, the councilor longest in service is usually elected to an aldermanic vacancy. The following facts are compiled from reports made to me by one of the principal attachés of the *Manchester Evening Chronicle*.

Of the aldermen, twelve are retired business men; eight are merchants, manufacturers, and builders; five are tradesmen on their own account; two are lawyers; and only three can be classed under the general heading of "miscellaneous." I think the latter are representatives of labor unions.

If the adage, "Old men for counsel, young men for war," is a good one, Manchester has certainly shown wisdom in the selection of the members of its council. The average age of the aldermen is over sixty; of the councilors, about fifty; and of both classes taken together, about fifty-four. Excluding the representatives of certain wards added to the city in 1904, the terms of service of the aldermanic members of the council vary from fifteen to forty-nine years, with an average of over twenty-one years. The oldest alderman in service was first elected a councilor in 1856, and has been a member ever since. The curious fact about his career is that he has never received a popular vote, which is thus explained: He was elected a councilor three times without opposition, in which case, under the British system, no ballots are cast for the sole candidate; he was then elected an alderman by his associates in the council, and has been re-elected every sixth year since.

The second alderman in term of service is a knight (there

are three knights in the council), who was first elected in 1866, and has served continuously for thirty-nine years. The next longest term of service is thirty-seven years. There are ten terms between twenty and thirty years in length, four between sixteen and twenty, and eight of fifteen.

The councilors have served terms varying from one to thirty-one years. They are a younger set of men than the aldermen, and are naturally not so important individually. Their ages range, substantially, from forty-five to sixty-five. They are all in active business or employment. There are among them at least four representatives of organized labor, one journalist, three physicians (not to mention a chiropodist), an engineer, a civil engineer, a master carriage builder, a manufacturer of cotton machinery, and so forth. All the councilors are men of sufficient age and business experience to raise a presumption of competency for local public service in their favor.

Indeed, such service is considered, not only in that city, but everywhere in Great Britain, an honor for the best citizens, who are glad to give their time and thought for the good of their cities, and to round out their careers in the public service. They always serve without compensation. To seek such places for mere notoriety, or as fields for the display of sophomoric eloquence, much less as an opportunity for "graft," is, I believe practically unknown. There are, of course, various motives for public service there as here, and the general level of character and efficiency might well be higher; but, broadly speaking, there can be no doubt of the general good character of the members of British municipal councils, or of their very great superiority to the same class of officials in the United States. Their longer tenure of office alone would make all the difference; but this is only one element of their superiority.

As illustrating the jealousy with which the councils guard their good names from suspicion or reproach, the following instances are interesting: A councilor was compelled to resign upon its becoming known that he held a single share, amounting to £1, in a company doing business with the city; and three councilors in another place were forced to retire because they were

directors in a corporation which an investigation showed had dealt with the city to the aggregate amount of £32 in three years.

The advantage of another departure from an American practice—that of always electing representatives who live in the districts represented—is furnished by the city of Manchester. Out of the twenty-eight aldermen concerning whom I was able to get this information, only five reside in the wards they represent, while the other twenty-three live in wards in some cases twelve miles distant from the ward represented. The best men can thus be obtained, without reference to their places of residence.

I was not able to obtain a statement of the amounts of property upon which the different members of the Manchester city government are taxed, but they would undoubtedly, in a large proportion of cases, be substantial. It is quite safe to say that nothing would have been found approaching the state of things recently obtaining in Boston, Massachusetts, where only twelve out of the eighty-eight members of the city council were assessed for more than a poll-tax of two dollars.

In Leeds, unlike Manchester, national politics enter into the election of city councilors. Practically every seat is contested; but when I asked whether politics attached to the action as well as the election of councilors, I was emphatically told that it did not. It is merely a question whether Conservatives or Liberals shall have the places; when installed in office, the political differences between them entirely disappear in the conduct of the city's business. The tenure of the administrative officers of the city is during good behavior, although expressed as "during the pleasure of the council." There is just the difference between American and British cities; it is not the pleasure of a British municipal council to dismiss administrative officers, except for misconduct or inefficiency. Changes in the personnel or politics of the council have no effect whatever on the administrative servants or officers of the city.

While Leeds has municipalized its gas and electric supply and its tramways, it has balked at establishing a municipal milk

supply, and the manufacture of its electric lamps has been considered *ultra vires*.

The Leeds council consists of sixteen aldermen and forty-eight councilors, of whom forty are Liberals in national politics, twenty Conservatives, and four Labor Reformers. The councilors are elected by the people for terms of three years, and the aldermen by the city council for terms of six years, which, indeed, I think is the common, if not universal, practice in Great Britain. Notwithstanding the struggles which take place for original election to the council, the aldermen are elected practically without opposition in the order of seniority of service. As a rule, they are elected by tacit agreement, first from one party and then from the other. The council contains about twenty manufacturers, ten or twelve merchants and tradesmen, six engineers, six lawyers, three physicians and surgeons, about half a dozen mechanics and laborers, three expert accountants, and representatives of a large variety of other occupations.

Most of the original public work, like paving, etc., is done by contract, while the highway committee of the council attends to the repair of streets.

The city government of Glasgow consists of a council of seventy-seven members, including bailies, who, like the aldermen of English cities, are elected by the members of the council from their own number for terms of six years, councilors elected by the people for terms of three years, a dean of guild and a deacon convener. Their general appearance is that of responsible citizens of all classes and of a variety of occupations. There are some young men, but most are of middle age, and some are considerably advanced in years. They are keen in debate, and, like true Scotchmen, very tenacious of their own views. They give close attention to the details of administration, and scrutinize the accounts of the committees and departments submitted for their approval with critical care. A more detailed analysis of the composition of the Glasgow council is hardly called for, in view of the details which have been stated with respect to the councils of Leeds and Manchester. The lord provosts of Scotch cities, like the lord mayors of English towns

and cities, are distinguished citizens who give liberally of both their time and money in the public service.

Evidences of deterioration in local governments.—But, excellent as is their general character, I think it is beginning to be understood and generally admitted that the local governing boards of the larger British towns and cities are becoming less, rather than more, efficient. This result naturally accompanies the multiplication of the duties imposed upon those bodies. They are becoming overburdened, and in some cases fairly swamped, with the extent and variety of the public concerns which engage their attention. In Glasgow, for example, it is said that a conscientious member of the council must devote about two days a week to the discharge of his public duties. In Manchester the chairman of the gas committee for ten years has spent at least six hours a day in the discharge of the duties of that position. While willing to give much of their time gratis to the public service, business men are beginning to find that the draft upon it is more than they can meet without absolute disregard of their private affairs. The wonder is, that, notwithstanding this fact, these bodies have thus far adhered as closely as they have to the high standards of the past.

The London County Council is the most important and conspicuous example of this fact. Sir Henry Campbell-Bannerman, the new premier of England, has alluded to it as “the over-worked London County Council,” adding that its duties are “more vast and more trying than those undertaken by any other such body on the face of the earth.”

In the debate on the London Education Bill, Sir Edward Grey—also a member of the new cabinet, of whom the *Outlook* has recently said that no man stands higher in public life—asserted that no man could touch the work of education alone, in London (involving an annual expenditure of over \$20,000,000), and give any attention whatever to the numerous other duties of the County Council. He adds the query: “How can we then hope or expect that the other work, including their gigantic commercial enterprises, can be properly looked after?”

It would seem that, at least so far as its street-railway enterprises are concerned, the answer to the query must be in the negative. The county council controls street tramways valued at nearly nine million dollars. This property was acquired under the compulsory-sale provision of the Tramways Act at much less than its real value, and its operation has naturally resulted in an apparent profit. But of this profit Sir Melvill Beachcroft asserts that considerably less than one-third has been realized from the lines operated by the Council itself, and considerably more than two-thirds from the operation of the portions of the lines leased to private companies, although the two parts are of practically equal valuation, the leased portion being somewhat greater in mileage. Lord Avebury publicly expresses the opinion that if both portions had been leased to private companies, the ratepayers would by this time have been more than \$600,000 better off.

A royal commission of thirteen members, appointed to make a thorough investigation and study of means of transportation in London, after visiting both continental Europe and the United States in search of information, has recently submitted an elaborate report, in Vol. I of which (p. 50) it states the following conclusion:

Notwithstanding the difficulties imposed by high cost of construction, we think—and this applies to railways beyond as well as within the central area—that, as in the past, so in the future, London should, as far as possible, rely wholly upon private enterprise for the construction of new railways.

Character, selection, and tenure of administrative officials.—As already stated, whatever may be the national politics of the members of city and town councils, politics find no place whatever in the administration of local affairs, particularly in the choice and retention of public administrative servants and officials.

It has been said that a change in the imperial government itself results in the ousting of only a score or so of officials, other than the cabinet ministers themselves. Changes in the personal or political complexion of the legislative bodies of British municipi-

palities, so far as such changes occur from time to time, result in practically no changes in the body of administrative officers and servants. The most important of these are largely procured by means of public advertisement, and are not infrequently taken from other cities. (In Germany the latter is the common practice, even as to the burgomasters of the most important cities.)

The *Municipal Journal* is an organ of British municipalities. The first page is always, and other pages frequently, devoted to advertisements for municipal servants and officials. They take a very wide range. Taking up a number of recent issues at random, I find, among others, the following advertisements:

For an assistant town clerk: The applicants must be young solicitors, with some knowledge of the law of rating and assessments. The advertisement closes with the following caution, which seems to be invariably given in one form or another; "Canvassing members of the council will disqualify." (Fancy an applicant for a city job not being allowed to speak to his alderman or councilor about it!)

For a general manager of corporation tramways: Applicants must have had at least five years' experience as manager or assistant in the management of tramways, and be fully qualified to take complete control, etc.

For an electrical engineer and manager of municipal light railways: Candidates must have had previous experience in connection with electrical supply, and be competent to design and supervise the erection and operation of the plant, etc., in both departments. This advertisement makes the warning against attempting to secure political influence as emphatic as possible, by saying that "canvassing, either directly or indirectly, will disqualify."

For a resident mechanical engineer at the pumping station of the Cork water-works: Applicants must be between twenty-eight and forty years of age; of sound health, mentally and physically; technically educated, and with experience in the same line, including the supervision and control of a subordinate staff.

Such advertisements are by no means confined to the higher positions, but seem to include all kinds. For example: The council of the Metropolitan Borough of Hackney advertises for a hall-keeper of the town-hall. He must be a married man, not more than fifty years of age, and must give security for good conduct in the sum of two hundred pounds. Imagination hardly lends itself to the picture of the janitor of an American city hall or schoolhouse being required to give security for good behavior in the sum of one thousand dollars, to say nothing of the necessity of being a married man. In an advertisement for certain clerks and bookkeepers it is stated that "the persons selected will be required to undergo a medical examination as to their constitutional fitness for the positions." But an advertisement of more novelty to American readers is one for a foster-father and foster-mother. Applicants must be married couples between twenty-five and forty years of age, must have had experience with children, and be competent to manage a children's cottage home. In addition to their salaries, which are modest, they will be provided with "furnished apartments, rations (which do not include beer), and washing, subject to the provisions of the Poor Law Officers' Superannuation Act, 1896." Whether this means that they are to be limited as to their laundry, as they are deprived of their beer, does not appear.

These advertisements are reproduced here merely to accentuate the differences in conditions which obtain in municipal service in this country and in Great Britain.

When resort is not had to public advertising, other methods of procuring the best man for the place are employed—just such methods as are employed in this country in obtaining the services of competent officials and employees of successful private corporations. I was told in Leeds, one of the most important cities outside of London, that when their town clerk died or retired, the council selected for his successor the town clerk of an inconspicuous town—the name even of which I had never heard before—who had shown conspicuous ability in the discussions at the meetings of the Association of Municipal Corporations in London. The lord mayor and other officials of

Leeds had kept their eyes and ears open while in attendance at the meetings of the association, in order to be able to pick out competent men when occasion should require.

While in Glasgow I saw the acting town clerk, who appeared to be a man of sixty-five or so. He was practically on probation, having been appointed for a limited term, and then for an extension of that term. Presumably he did not prove satisfactory, because a recent issue of the *Municipal Journal* gives an account of the election of a new town clerk of Glasgow, at a salary of \$10,000. He is a trained lawyer, forty-eight years of age, with a large experience in similar work. He was a prize man at Edinburgh University, and afterward qualified himself for public service as an official of a county in Scotland. He was clerk of the county when called to Glasgow.

It should be explained in this connection that the town clerk of a British municipality is its most important official. He is practically always a trained lawyer, and is the general "guide, philosopher, and friend" of every official and department in the city. He attends the meetings of the council and of its committees, answers questions, gives opinions upon matters of law and procedure, does all the legal business of the city, represents it before committees of Parliament, and makes himself generally useful and practically invaluable. In short, he does all that a city solicitor or corporation counsel of an American city does and much more. It is, therefore, fortunate for the municipality which he serves that politics has nothing to do with either his election to, or his retention in, office.

The conclusion of the whole matter is therefore as follows:

V. SUMMARY

First. The operation by British municipalities of public utilities of the kind under consideration has been successful, if at all, in the single particular of furnishing the service or supply at a fair price to a comparatively few persons. Aside from gas supply, it has not resulted in any considerable profit to the municipalities, the losses in electric lighting, traction, and

telephone enterprises being frequent, while the profits when realized are generally not more than 2 or 3 per cent. on the investment—the net result to date being an average loss.

Second. It is by no means conceded, but, on the other hand, is strenuously denied, even in England, that municipal trading has, upon the whole, been successful, and British public sentiment is by no means settled upon that subject.

Third. The municipal supply of electricity for light, traction, and telephone service has been attended by certain serious results, which more than offset the success, if any, which has been obtained in the single respect above referred to, viz :

(1) A most serious check upon the general development of the electrical industry in Great Britain, and, in consequence, upon the establishment of the manufacturing plants and facilities which would otherwise have grown up.

(2) An extremely restricted supply in the cases where the supply has been undertaken, resulting in the accommodation of the few, to wit, consumers, at the expense of the many, to wit, rate-paying non-consumers.

(3) The abnormal enlargement of the functions of local government, resulting in the discouragement of private enterprise, and the creation of a large and increasing body of office-holding voters.

(4) A most serious enlargement of municipal indebtedness, and the creation of a class of voters who can be relied upon to support extravagant expenditures.

Fourth. The unfavorable results realized in the development of the electric industry are primarily traceable to the character of the legislation and official regulations governing the matter, all of which, professedly and in reality, are framed for the encouragement of municipal, and the discouragement of private, enterprise; and also to the inertia and lack of business enterprise which are inseparable from municipal operation.

These laws and regulations, not having worked well in Great Britain, should not be imitated or approximated in America.

Fifth. If a different view from that above expressed is taken of the character of the results achieved, and it is deemed advisa-

ble, if practicable, to duplicate the financial and technical results of British municipal undertakings in America, it will be impossible to do so, owing to the totally different political conditions obtaining in the municipalities of the two countries, respectively. Not only is the municipal civil service in Great Britain totally different from that in America, and dependent for its character and tenure upon a wholly different system of laws and administration, but the public sentiment and education of the people of the two countries upon the subject is so opposed that the conditions in either country could not be reproduced, by legislation, or otherwise, in the other.

Sixth. In view of all the foregoing considerations, it is manifest that the continued encouragement of the exploitation of private business by private capital, rather than the entrusting of business or quasi-business enterprises to municipal officials, is the only sound course to be pursued in the United States.

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BOSTON.